



Finance Work Program Budget

FTC Workshop

March 2010

Today's Presentation

➤ Basic Concepts

- Funding Sources
- Estimating Resources
- Finance Plan/Cash Forecast
- Cash Flow vs. Commitment
- Funding Priorities
- Work Program
- Budget

➤ Today's Challenges

- Education
- Revenue Reductions
- Economic Impacts
- Lack of Federal Bill

Funding Sources

➤ State Funds

- Fuel Tax (Gasoline, Diesel, Aviation Fuel)
- Fees (Initial registration, tag, rental car surcharge)
- Documentary Stamp Revenue

➤ Federal Funds

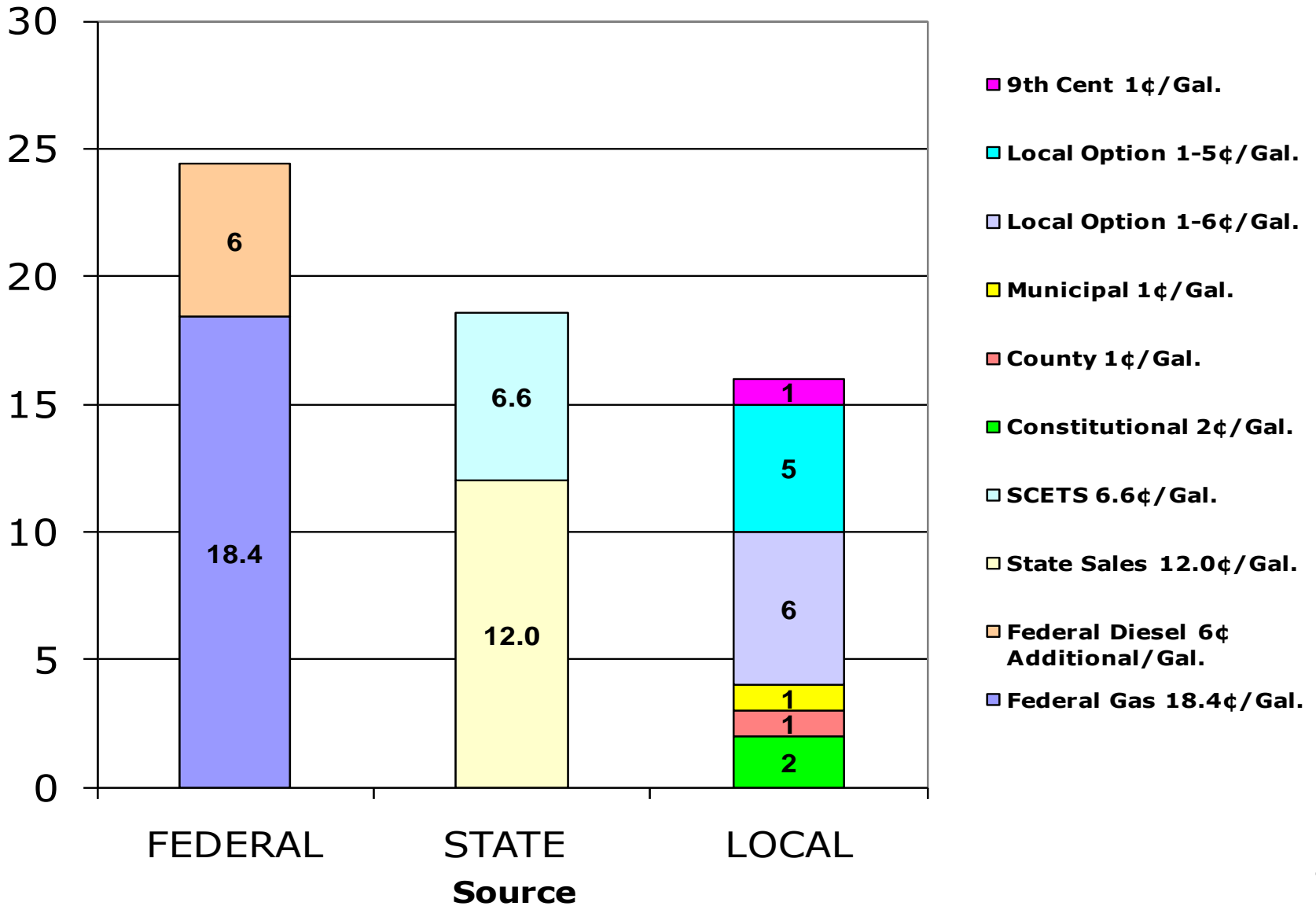
- Highways - Federal Gas Tax – distributed to states by formula
- Transit – Federal Funds distributed via competitive selection process – full-funding grant agreement
- Economic Stimulus

➤ Other Funds

- Turnpike and Tolls
- Bonds and Local

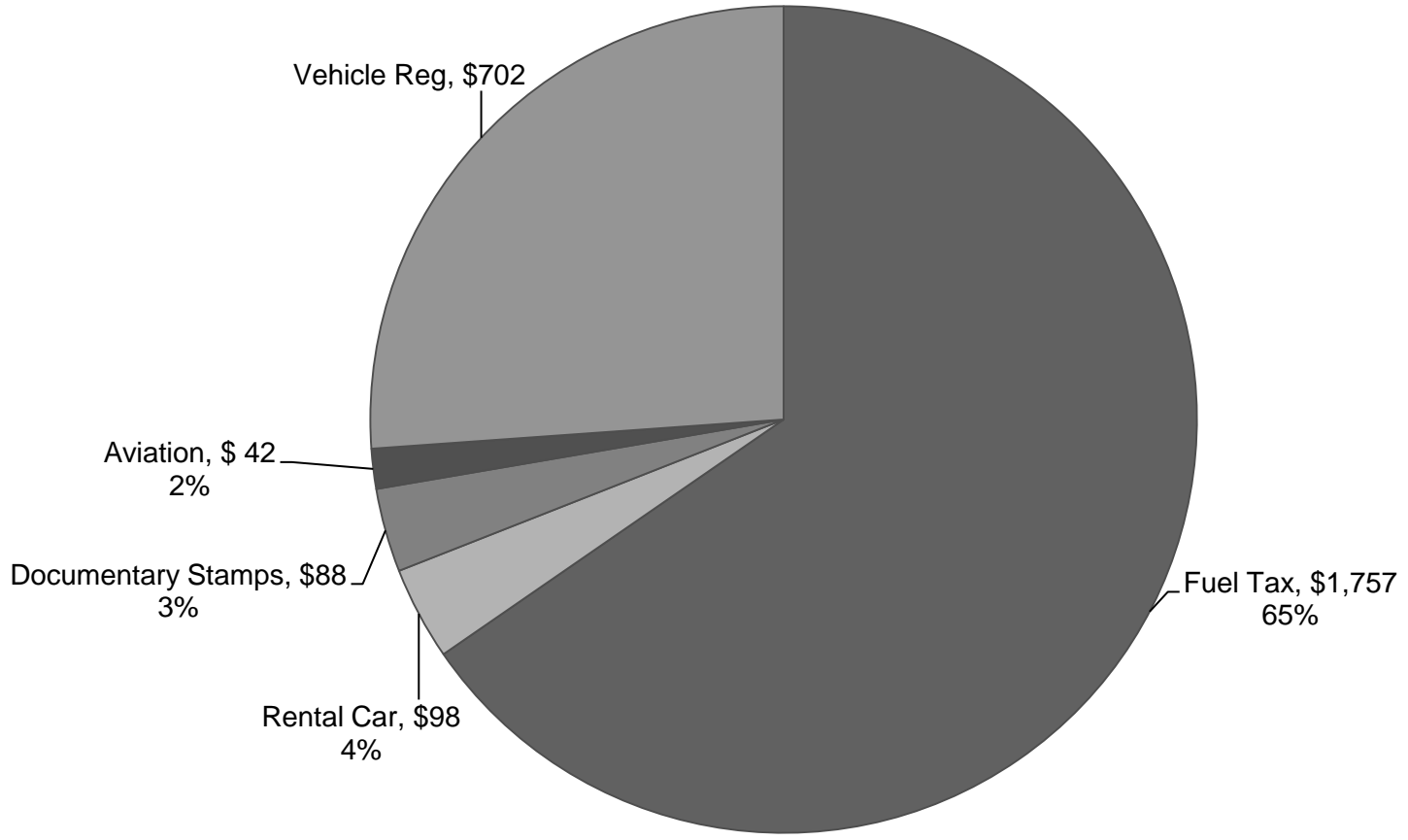
2010 FUEL TAX RATES

(¢ per Gallon)

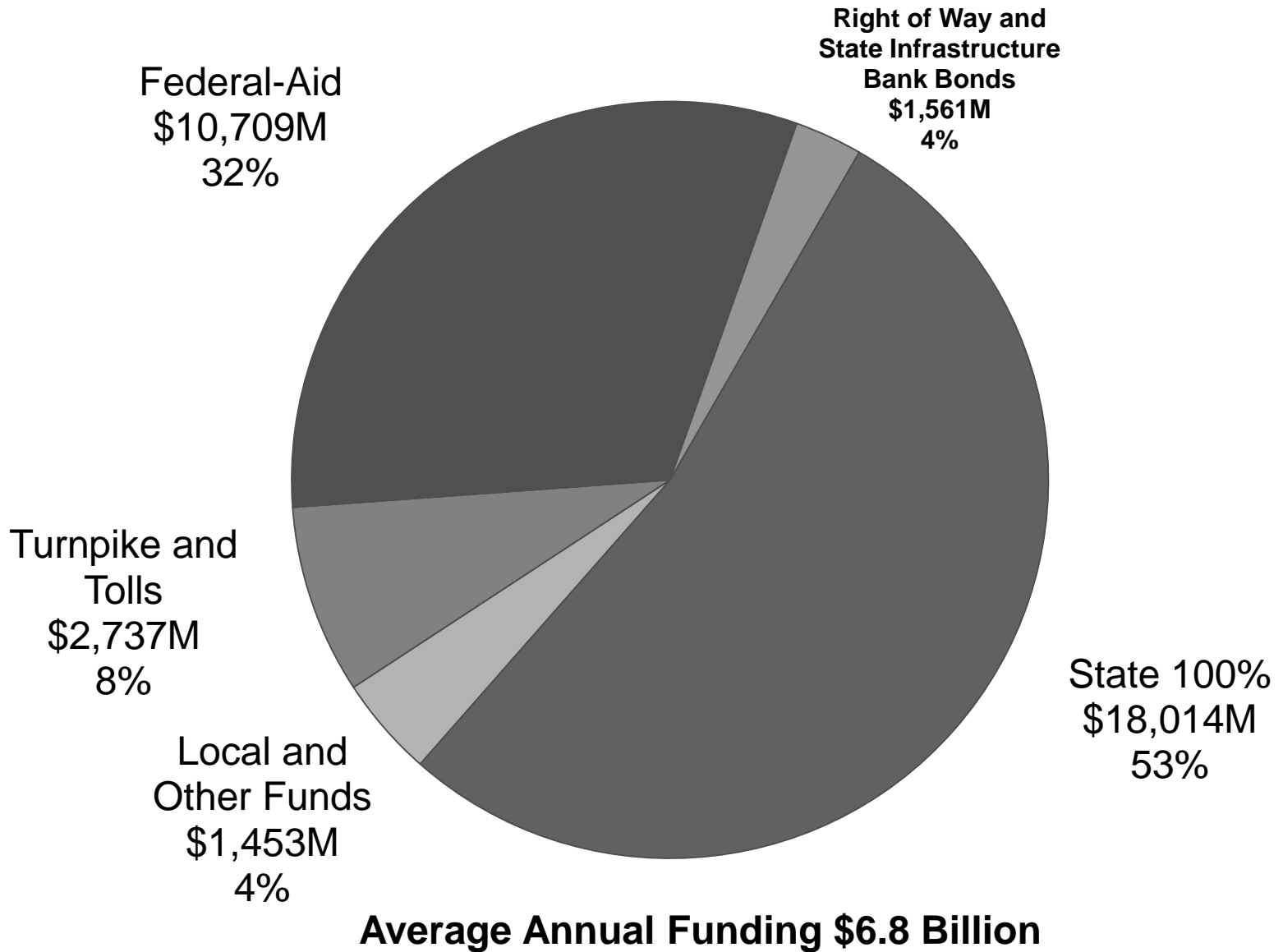


2008/2009 State Transportation Revenues

\$2.6 Billion



Five Year Work Program FY 2011-2015



Estimating Resources

- State of Florida Consensus Revenue Estimating Conference (REC) for State and some Local Revenues
- Florida Department of Transportation (FDOT) Forecast of Federal Aid based on Official US Treasury and US DOT Estimates
- Independent Experts Forecast Toll Revenues

Finance Plan/Cash Forecast

- Prepare independent plans
 - Long-range annual 5-year Finance Plan
 - Short-range monthly 3-year Cash Forecast
 - Provides cross-check and good solid results
 - Provides confidence and comfort to industry that FDOT is financed and with cash available to settle obligations

- Covers all funds and projects for FDOT
 - State Highway System, Public Transportation, and FDOT Owned Toll Facilities (including Turnpike)
 - State and Federal revenues, toll revenues and local participations on FDOT projects

Finance Plan/Cash Forecast Processes

Program and Resource
Plan Document



Program and Resource
Plan Commitments



Projected Cash
Payouts



Total Estimated
Cash-Flowed
Commitments
(Estimated
Expenditures)

Less

=

Ending Finance
Plan Balance



Reconciled

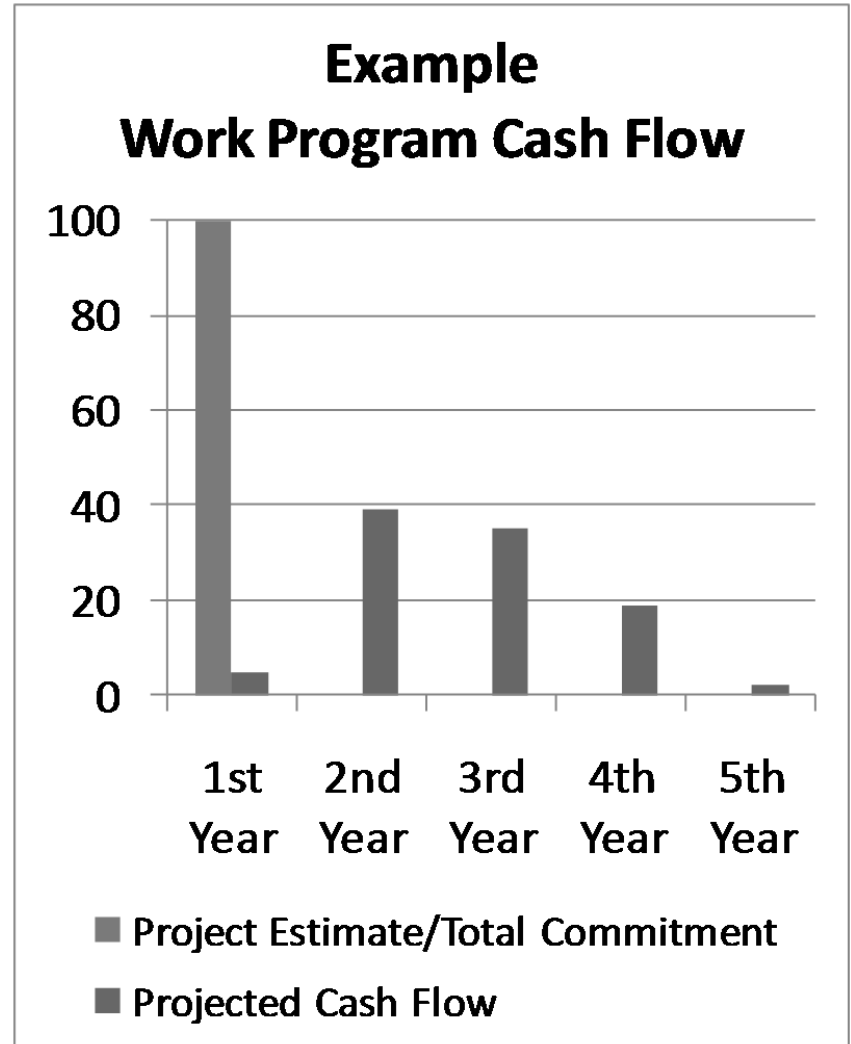
Ending Cash Balance
– Available for
Outstanding
Obligations



- Revenue Sources:
- Motor Fuel Taxes (monthly)
 - Aviation Fuel Taxes (monthly)
 - MVL Tag/Title Fees (monthly)
 - Rental Car Surcharge (monthly)
 - Bond Sales (as needed)
 - Federal Reimbursements (weekly)
 - Documentary Stamps (monthly)
 - Toll Revenues (varies)
 - Local Participation (varies)
 - Interest Earnings (monthly/quarterly)

Cash Flow vs. Commitment

- FDOT is the only state agency operating on a “cash flow” basis
- Other agencies require the entire contract amount be on hand the year work begins
- Major project phases begin before the total amount of cash is available to fund the project phase
- Project estimates within the Work Program are converted to cash flow projections over multiple years

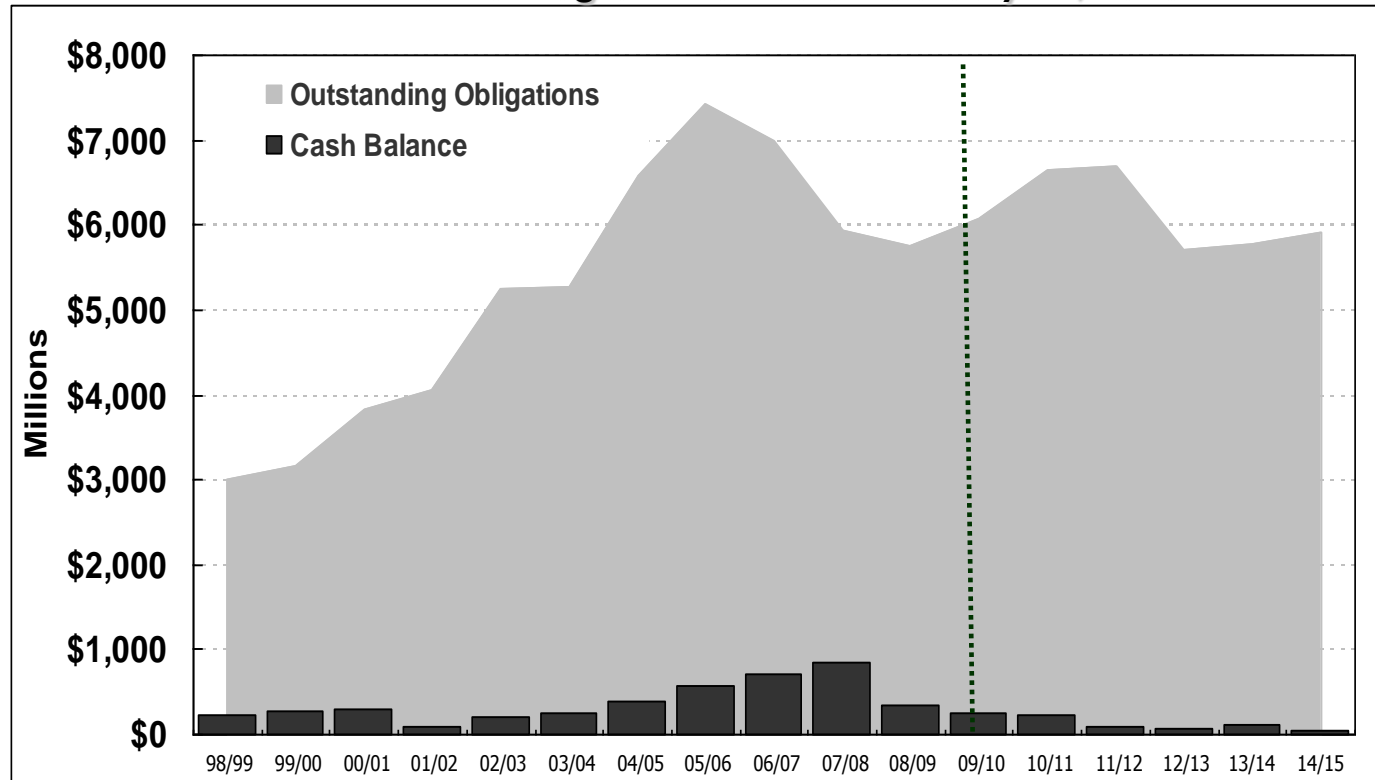


Cash Flow vs. Commitment

State Transportation Trust Fund Annual Low Point Cash Balance and Contractual Obligations

Lowest cash balance in each fiscal year and the outstanding commitments at that point in time

Tentative Program Plan as of February 11, 2010



- FDOT has \$6.3 billion worth of outstanding obligations to road and bridge builders and other transportation contractors as of January 31, 2010
- The current cash balance to support the commitments outstanding is \$513.6 million
 - \$61 Million due to State Treasurer
 - \$30 Million due to GR for Leg. Sweep (Amount Remaining)
- The cash balance today is currently 8.2% of outstanding commitments
- In order to improve Florida's transportation systems in the future, there is an average of \$6.1 billion planned project commitments per year for the next five years
- The cash balance low point for the next 5 years is expected to be .9% of contractual commitments

Cash Flow of Commitments

- Statutorily directed revenues are forecasted to finance current projects as actual expenditures occur

- The Finance Plan and Cash Forecast estimate cash flows independently through solid assumptions using historical trends and future predictions
 - Contracting schedules
 - Cash payout rates
 - Participation by other partners

Average Cash Payout Rates

Program Area	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year	Total
In-House Support	100%	0%	0%	0%	0%	0%	100%
Consultant Support	18.9%	40.9%	31.1%	9.0%	0.1%	0%	100%
Construction	9.8%	51.4%	28.6%	9.2%	1.0%	0%	100%
Public Transportation	15.1%	41.8%	25.5%	13.4%	4.2%	0%	100%
Right of Way	10.8%	20.0%	20.0%	20.0%	20.0%	9.2%	100%

Construction Project Example

Work Program FY 2010
(dollars in millions)

↓

COMMITMENT	Project Cash Flow →							Total
	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year		
\$100	\$9.8	\$51.4	\$28.6	\$9.2	\$1.0	\$0.0	\$100	

Cash Flow vs. Commitment

		Cash Balances					
		1st	2nd	3rd	4th	5th	5-Year
		Year	Year	Year	Year	Year	Total
	Beginning Cash	\$ -	\$ 76.5	\$ 43.2	\$ 13.3	\$ 1.4	\$ 0
	Revenue	\$ 100.0	\$ 100.0	\$ 100.0	\$ 100.0	\$ 100.0	\$ 500.0
Year	Commitment						
1	\$240.2	\$ (23.5)	\$ (123.5)	\$ (68.7)	\$ (22.1)	\$ (2.4)	\$ (240.2)
2	\$100		\$ (9.8)	\$ (51.4)	\$ (28.6)	\$ (9.2)	\$ (99.0)
3	\$100			\$ (9.8)	\$ (51.4)	\$ (28.6)	\$ (89.8)
4	\$100				\$ (9.8)	\$ (51.4)	\$ (61.2)
5	<u>\$100</u>					\$ (9.8)	\$ (9.8)
	\$640.2						
	Ending Cash	\$ 76.5	\$ 43.2	\$ 13.3	\$ 1.4	\$ 0	\$ 0

Cash and the Law

- Tentative and Adopted work programs shall be based on a complete, balanced financial plan for the State Transportation Trust Fund (STTF) and other funds managed by the FDOT – s. 339.135(3)(a), F.S.
- The work programs must be planned to deplete the estimated resources available— s. 339.135(3)(b), F.S.
- Must maintain a cash balance of not less than \$50 million or 5 percent of the unpaid obligation balance (whichever is less) at the closing of each quarter – s. 339.135(6)(b), F.S.

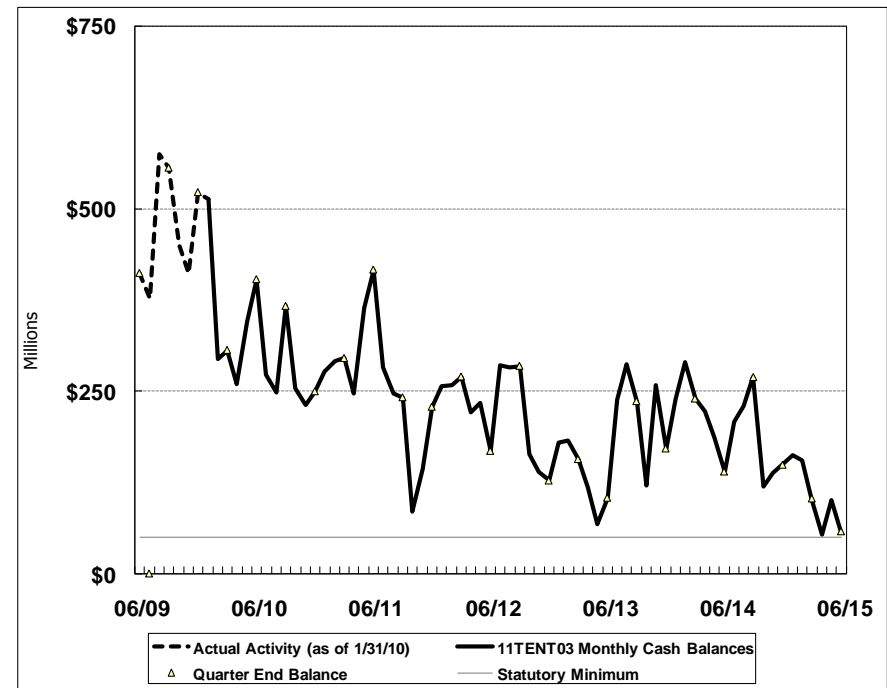
Managing the Cash Balance for Outstanding Obligations

- Must manage cash at a higher internal minimum due to the daily swings in cash requirements.
- Put into law when O/S obligations were ~\$1 Billion.
Today >\$6Billion
- Federal program is a reimbursement program
- Current cash balance can change quickly depending on:
 - Bond Market Stability
 - Instability of Federal Highway Trust Fund
 - Lack of Federal Transportation Act
 - Unforeseen Events (i.e., Hurricanes, rescission, payout rates)
- Historical Information: 1988 Substantial Cash Shortfall

Cash Management

- The actual minimum cash balance needed to support the work program will change based on the level of outstanding commitments the cash balance supports.
- On two separate occasions during July 2009, cash balances decreased by more than \$155 million in just over a week's time. In August 2009 and again in September/October 2009, in less than a two week period, cash balances decreased by more than \$240 million.
- To pay for future commitments in the Work Program, the cash balance will be reduced to \$57.8 million at the end of the five year work program.

Forecast of Monthly Cash Balances



Cash and the Use of Transportation Funds

- FDOT anticipates that future revenues will be available to finance current projects in much the same way that a family anticipates future earnings to pay for a mortgage.
- FDOT utilizes various cash management techniques to manage variability in revenues and expenditures and any events of unanticipated cash shortfalls.
- A list of innovative financing tools used in cash management is on the following slide.

Innovative Financing Tools

- Federal Flexibility
 - Advanced Construction
 - Softmatch including Toll Credits
- Reasonable Level of Bonding
 - Turnpike & Toll Revenue Bonds
 - Build America Bonds
 - Right of Way and Bridge Bonds
 - Grant Anticipation Revenue (GARVEE) Bonds
 - Fixed Guideway Bonds
- State Infrastructure Bank (SIB)
- Transportation Infrastructure Finance and Innovation Act (TIFIA) Loans
- Private Activity Bonds
- Public-Private Partnerships (P3)

Funding Priorities

1. Safety

2. System Preservation

3. Capacity

Section 334.046(4), Florida Statutes

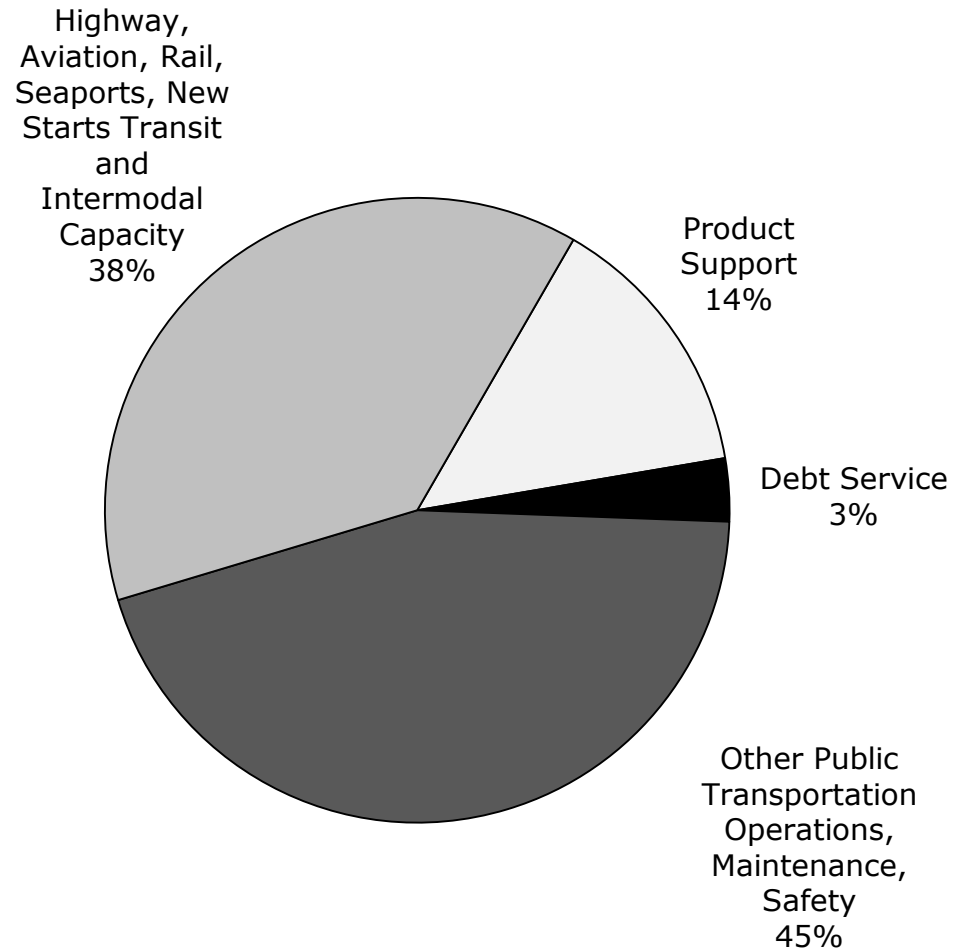
Department mission, goals and objectives.

(a) **Preservation.**--Protecting the state's transportation infrastructure investment. Preservation includes:

1. Ensuring that 80 percent of the pavement on the State Highway System meets department standards;
2. Ensuring that 90 percent of department-maintained bridges meet department standards; and
3. Ensuring that the department achieves 100 percent of the acceptable maintenance standard on the state highway system.

Care and Feeding

- Care and Feeding
 - Average Annual Funding ~\$6.8 billion
 - Approximately \$4.3 billion is spent on maintaining the current infrastructure
 - Leaves only \$2.5 billion to fund capacity improvements
- Approximately 64% of our budget each year is spent on maintaining our current transportation system.



Work Program Development Cycle

Executive Board Policy and Funding Decisions	Spring/Summer								
MPO Priorities	Spring/Summer								
Work Program Instructions Issued			September						
Statewide and District Programs - Projects Identified			September-October						
Public Hearings			November-December						
Detailed and Executive Reviews					January-February				
Transportation Commission Review and Public Hearing								March	
Submit Final Tentative Work Program to Governor/Legislature								March	

5-Year Work Program

- Five year specific list of projects
- Objectives and priorities set by law as further defined in the Florida Transportation Plan, which provides policy framework for allocating funding to meet needs – s. 339.155, F.S.
- BOTTOM UP process – projects are developed in coordination with MPOs and local governments
- Public Hearings required in s. 339.135(4)(d), F.S.

5-Year Work Program

- Reviewed by the Florida Transportation Commission during development of the program, with a formal review at a statewide public hearing prior to submittal
- Evaluation for compliance with laws and policies by FDOT staff and Secretary
- Submitted to the Governor and Legislature within 14 days of legislative session

Work Program and the Law

- FDOT submits a 5-year work program that includes all transportation projects planned for each fiscal year – s. 339.135, F.S.
- The work programs must be planned to deplete the estimated resources available– s. 339.135(3)(b), F.S.
- The work program must include a balanced 36-month forecast of cash and expenditures and a 5-year finance plan – s. 339.135(4)(b)4, F.S.

Building the Work Program

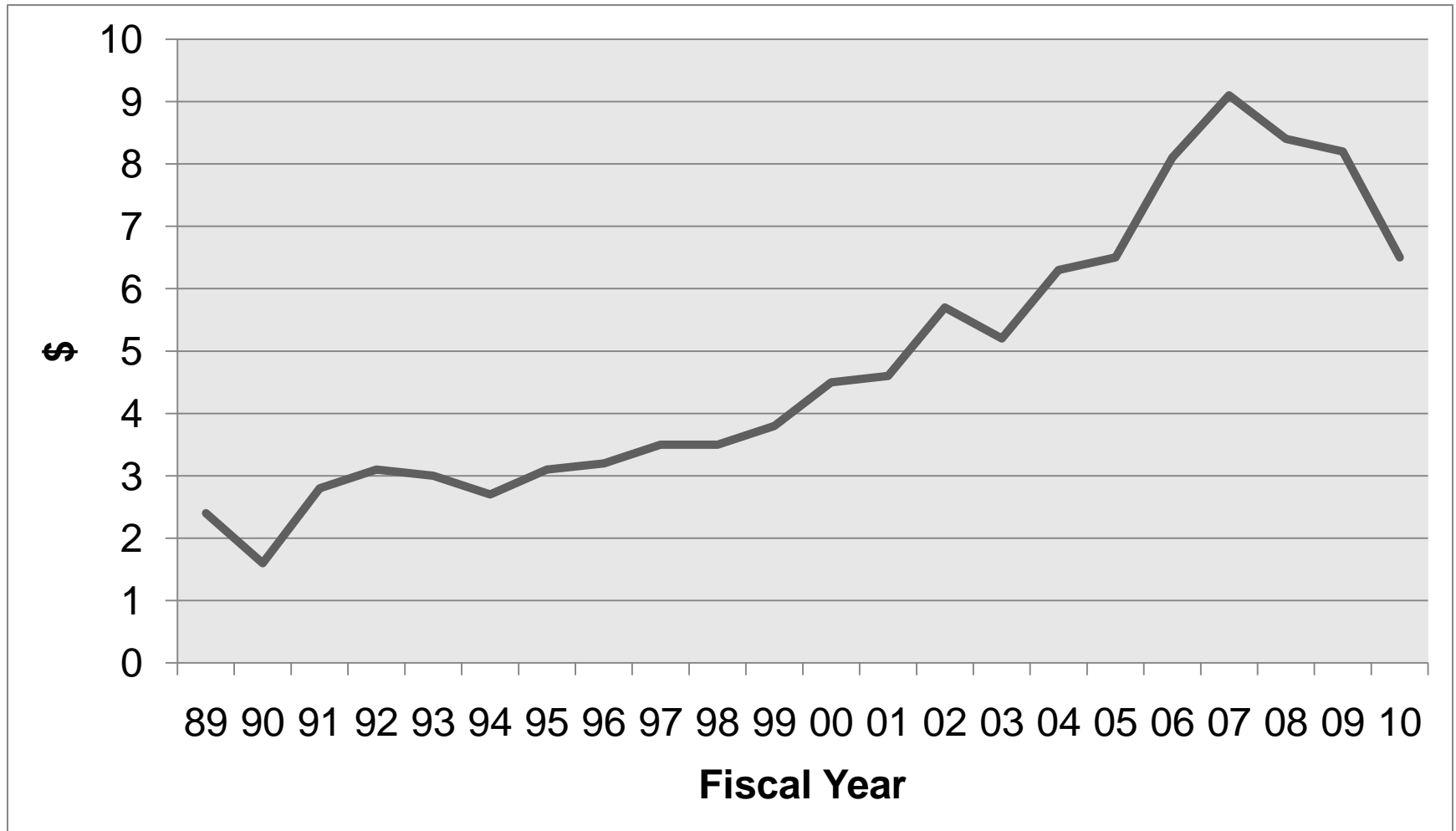
- Funds assigned to various programs per statutory requirements:
 - Milling & Resurfacing Projects
 - Bridge Repairs & Replacements
 - Maintenance
 - 15% set aside for Public Transportation (Aviation, Rail, Transit, Seaports)
- Contingencies programmed for unforeseen cost overruns and supplementals, fuel indexing, claims in litigation, and estimate changes

Building the Work Program

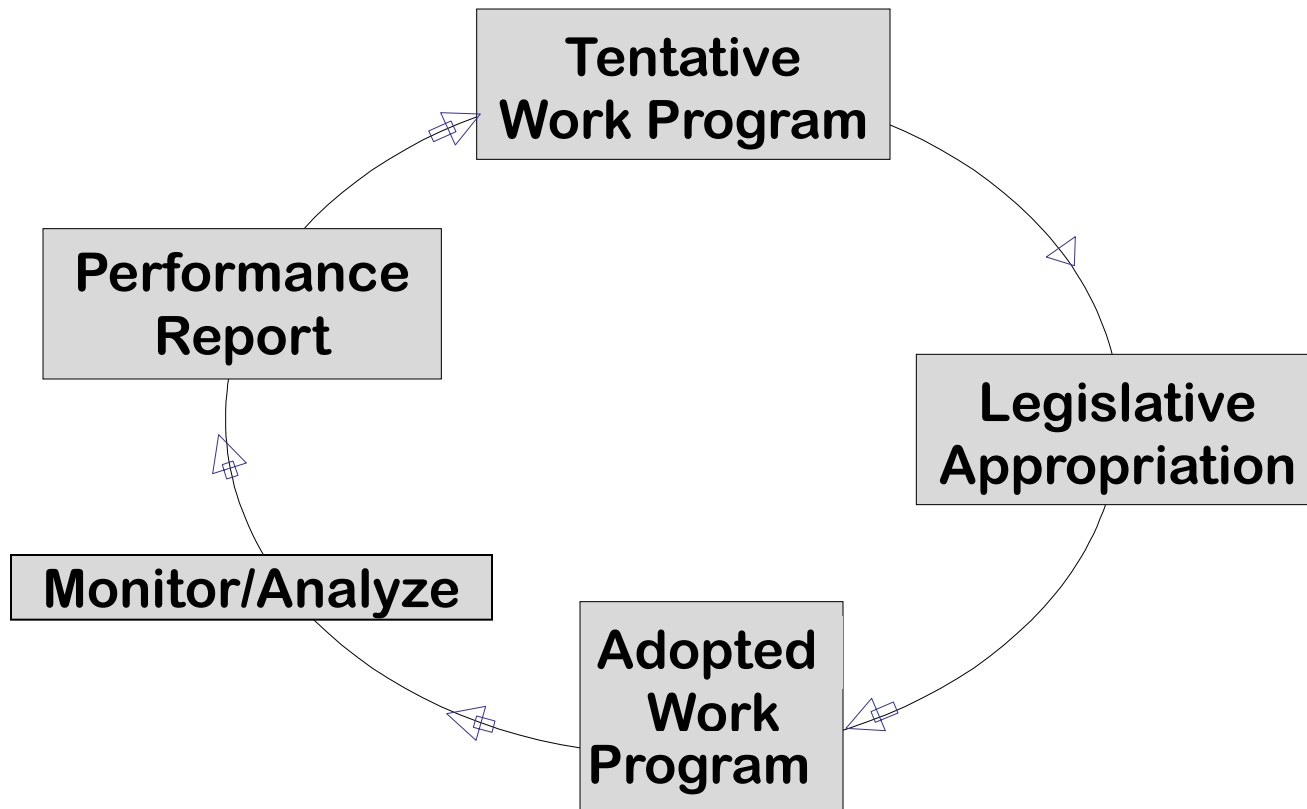
- Reserves are programmed for future programs where specifics are not known, such as bridge repair, traffic operation improvements, signals, drainage needs, county programs, etc.
- Reserves are also programmed for future projects where complete funding is not totally available or specifics are not known. Example: state/federal earmark received, but not enough to fully fund design or construction.

Total DOT Appropriations by Fiscal Year

(\$ in Billions)



Annual Budget Process



Legislative Appropriation includes first year of the 5-Year Tentative Work Program

Budget

- Legislative Budget Request (LBR) submitted to the Legislature and the Governor by October 15
- Operating and Fixed Capital Outlay are in accordance with Chapter 216, F.S.
- Work Program budget amounts in LBR submitted on October 15 derived from the 2nd year of the Adopted Work Program
- LBR is amended in February after Tentative Work Program is complete
- General Appropriations Act represents Legislative review and approval of the 5-Year Tentative Work Program and includes budget for the first year of the Work Program

Modifying the Budget

- Roll Forward – annually, FDOT is authorized by s. 339.135(6)(c), F.S. to “roll forward” budget and funds needed to enable projects not committed in the prior year to be completed
 - A budget amendment is prepared and submitted to the Governor’s Office.
 - The available prior year appropriation balances are NEVER exceeded.

Events in Recent History that have influenced the Program

- September 2003 – Transportation Equity Act for the 21st Century (TEA-21) Expiration
 - 12 continuing resolutions until a new federal bill was passed.
- 8 Major Storms hit Florida
 - 2004: Tropical Storm Bonnie, Hurricanes Charley, Frances, Ivan and Jeanne
 - 2005: Hurricanes Dennis, Katrina and Wilma
- 2005 Legislative Session - Growth Management Passed

Events in Recent History that have influenced the Program (cont.)

- Fiscal Year 2005/06
 - Major Cost Estimate Changes (construction material cost increased)
 - Advertised jobs began receiving less bids
- FY 2006/07
 - November 2006: Revenue estimates begin going negative
 - Fuel Consumption began decreasing
- 2008
 - Economic Instability
 - Bond Market Frozen

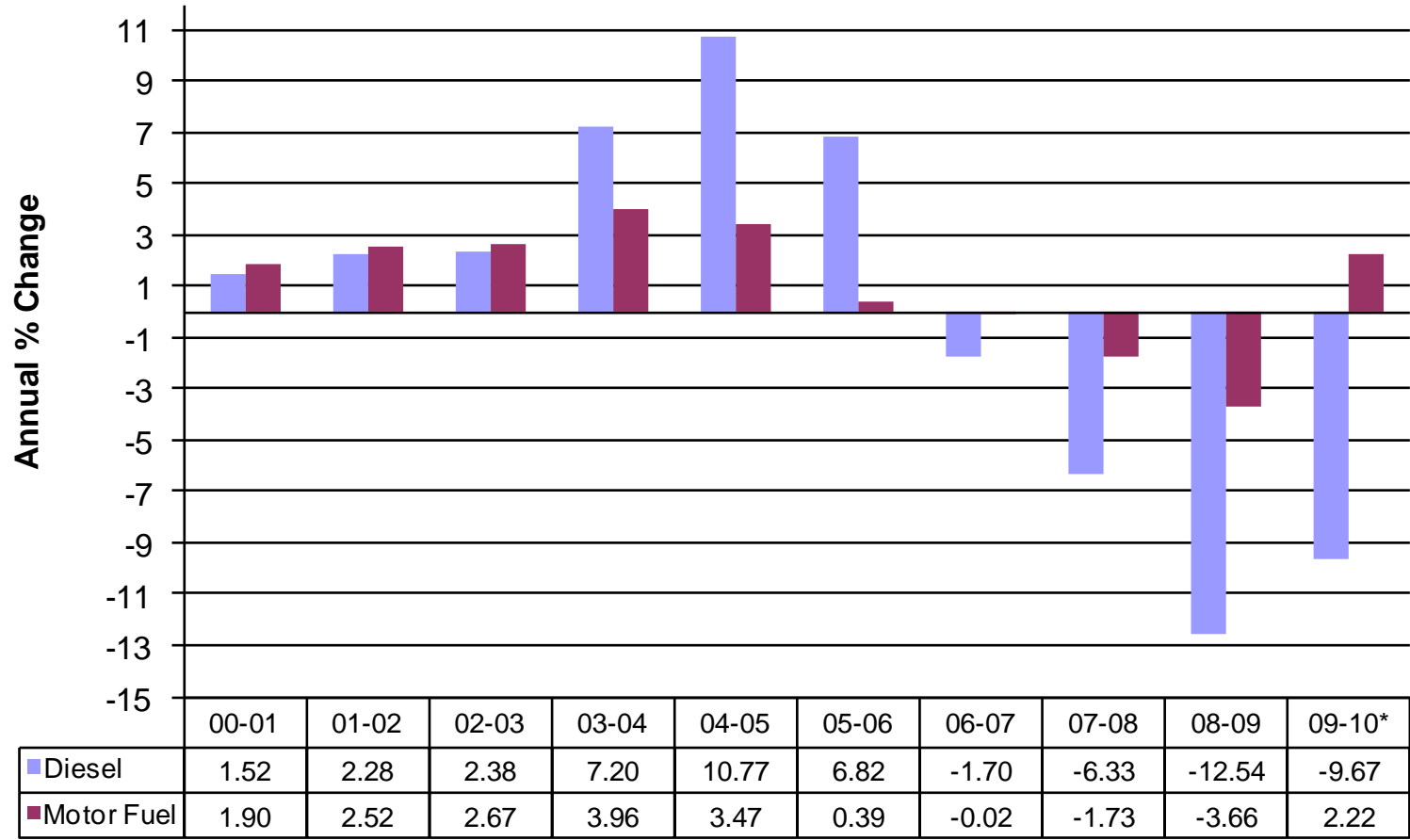
Events in Recent History that have influenced the Program (cont.)

- June 2008
 - Legislation change related to Documentary Stamp Receipts to STTF
- September 2008 and August 2009 – Federal Highway Trust Fund Bailouts of \$8B and \$7B
- February 2009 – Economic Stimulus (American Recovery and Reinvestment Act/ARRA)
- 2009 Legislative Session
 - \$120.2 Million sweep from the STTF done in quarterly installments during FY 2009/10
 - \$40 million sweep from the Toll Facility Revolving Trust fund in quarterly installments during FY 2009/10

Events in Recent History that have influenced the Program (cont.)

- September 2009
 - Expiration of The Safe, Accountable, Flexible, efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)
 - \$8.7 billion Federal Rescission of which Florida's share was \$444 million
 - Currently working under 3rd continuing resolution

Fuel Consumption History



Year-to-Date (Jan.)

* Through January 2010

Cash vs. Commitment Impacts

Time Frame	Cash Impact	Commitment Impact
November 2006 REC	(\$140) M	(\$164) M
March 2007 REC	(\$232) M	(\$400) M
November 2007 REC	(\$847) M	(\$1,409) M
March 2008 REC	(\$339) M	(\$563) M
June 2008*	(\$931) M	(\$1,312) M
August 2008 (GM) REC	(\$390) M	(\$533) M
November 2008 REC	(\$1,303) M	(\$2,131) M
November 2008 (GM) REC	(\$539) M	(\$721) M
March 2009 REC	(\$817) M	(\$1,112) M
March 2009 (GM) REC	(\$702) M	(\$960) M
June 2009* (2009 Legislative Sweep)	(\$120) M	(\$171) M
August 2009 (GM) REC	\$197 M	\$215 M
November 2009 REC**	\$380 M	\$329 M
December 2009 (GM) REC**	(\$72) M	(\$118) M
Total	(\$5.855) B	(\$9.050) B

REC – Revenue Estimating Conference; GM – Growth Management

*This was not part of the REC, but part of the Legislative Session.

**Includes impact of 2009 Special Legislative Session

Economic Benefits

- Economic Impacts of Transportation Investments
 - Every \$1 billion spent on highways supports 28,000 jobs and 1/3 of those are in construction-oriented employment
 - Transportation and warehousing industry creates 464,000 jobs, \$14 billion in wages, and \$21 billion of Florida's Gross Domestic Product
 - Every dollar invested in transportation results in a return of approximately \$5.00 in economic benefits to businesses and residents of Florida

Economic Impacts

- Reduction in loss of life and property from Safety Improvements and reduction in lost time from Congestion Relief projects
- Improved mobility and new development permitted by capacity projects